

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02
OMB-01 DOE-15 /133 W
-----010431 280837Z /21

R 280815Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 6509
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
USMISSION GENEVA
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE

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USEEC ALSO FOR EMBASSY

USMTN ALSO FOR USMISSION

E.O. 11652: N/A
TAGS: ETRD, EC, JA
SUBJECT: JAPAN-EC JOINT COMMUNIQUE--ANALYSIS

REF: (A) TOKYO 04835, (B) TOKYO 04809

1. SUMMARY: JAPAN-EC JOINT TRADE COMMUNIQUE FOLLOWS
STRAUSS-USHIBA STATEMENT IN MOST DETAILS. ALTHOUGH
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REACHED AFTER HARD NEGOTIATIONS, EC APPARENTLY BELIEVES
IT WILL PROVIDE IT WITH DEFENSES AGAINST PROTECTIONIST
FORCES IN MEMBER STATES. END SUMMARY.

2. EMBASSY WISHES TO DRAW ATTENTION TO READERS TO
FOLLOWING ITEMS IN MARCH 24 JAPAN-EC JOINT STATEMENT,
BASED MAINLY ON DEBRIEFING GIVEN US BY FOREIGN MINISTRY

AND EC REPS. (DENMAN CALLED AT EMBASSY AFTER PRESS
CONFERENCE MARCH 24, JUST PRIOR TO DEPARTURE.)

3. STATEMENT REITERATES MUCH OF STRAUSS-USHIBA LANGUAGE
WITH A FEW CHANGES THAT REFLECT SOMEWHAT ALTERED
CIRCUMSTANCES. FOLLOWING STRIKE US AS SIGNIFICANT
REAFFIRMATIONS AND DIFFERENCES, KEYED TO PARAGRAPH
NUMBERS IN REFTEL.

PARA 5 REITERATES STATEMENT THAT ACCUMULATION OF LARGE
CURRENT ACCOUNT SURPLUSES NOT APPROPRIATE.

PARA 6 AND 7 ADD THEME OF STABILITY IN INTERNATIONAL
MONETARY SITUATION, AND NOTE EC MEMBER STATES'
PROGRESS IN REDUCING CURRENT ACCOUNT DEFICITS, WITH
FURTHER PROGRESS ON THESE LINES SEEN FOR 1978 (INCLUDING
REDUCTION IN INFLATION).

PARA 10 CONTAINS STATEMENT OF JAPANESE GROWTH TARGET
WITH ADDITION OF QUALIFICATION REGARDING STABLE
INTERNATIONAL MONETARY SITUATION. CLEARLY THIS WORDING
REFLECTS GROWING JAPANESE CONCERN ABOUT EFFECTS ON
DOMESTIC DEMAND OF STRENGTHENING YEN.

PARA 11 CONTAINS RATHER MURKY LANGUAGE ABOUT CURRENT
ACCOUNT SURPLUS GOAL FOR JFY 1978. BY CITING ESTIMATE
FOR JFY 1978 AS "ABOUT ONE-THIRD SMALLER" THAN JFY 1977
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DOUBT IS LEFT SINCE JFY 1977 DATA NOT YET IN. THERE IS
SOME AMBIGUITY ALSO IN WHETHER THE ONE-THIRD CUT IS
FROM THE OFFICIAL CURRENT ACCOUNT SURPLUS FORECAST FOR
JFY 1977 (\$10 BILLION) OR FROM ACTUAL PERFORMANCE
(PROBABLY \$13-14 BILLION). FOREIGN MINISTRY OFFICIALS
SEEM TO BELIEVE THAT A ONE-THIRD CUT OF ACTUAL PERFORMANCE
IS INTENDED. THE AMBIGUITY MAY BE INTENTIONAL SO AS
NOT TO SUGGEST OFFICIALLY IN THIS CONTEXT AND WHILE THE
DIET IS IN SESSION THAT THE GOJ HAS ABANDONED ITS
FORECASTS. EC TOLD US THEY WERE GRATIFIED TO HAVE
OBTAINED THESE ASSURANCES THAT JAPAN COULD REINFORCE
CURRENT TREND BY MAXIMIZING EFFORTS TO REDUCE SURPLUS
THROUGH NEW MEASURES TO IMPROVE ACCESS TO JAPANESE MARKET,
AS WELL AS EXPANSION OF DOMESTIC DEMAND.

PARA 13 CONTAINS ONE OF THE FEW BILATERAL ELEMENTS, BY
CITING EXPECTED DECLINE IN JAPAN'S BILATERAL SURPLUS IN
JFY 1978. USHIBA IN PARA 13 ALSO INDICATED THAT SIGNS
OF A CHANGE TOWARD REDUCTION IN THE CURRENT ACCOUNT
SURPLUS (WITH THE EC?) WOULD BEGIN TO BE SEEN BY THE
AUTUMN OF 1978. THE JAPANESE APPARENTLY OFFERED THIS
RATHER VAGUE TARGET IN RESPONSE TO EC PRESSURES TO
PIN THEM DOWN ON PERFORMANCE.

4. PARAGRAHS ON MTNS REFLECT GENERAL
COMMITMENT TO PROCEED BUT REPEAT JAPAN-EC DIFFERENCES ON
SAFEGUARDS AND PERSISTING JAPANESE FEELINGS OF BEING
DISCRIMINATED AGAINST BY CONTINUING BILATERAL RESTRICTIONS
IN SOME STATES. EC REPS TOLD US THAT THEY BELIEVE JAPAN
IS PREPARED TO MAKE A DEAL ON SAFEGUARDS AND THAT EC HAD
REMINDED THEM THAT ANY DEAL WOULD HAVE ALSO TO BE
WORKED OUT WITH THE U.S.

5. EC FELT CHEERED BY PARA 21 ESTIMATE THAT SHARE OF
MANUFACTURES IN JAPAN'S IMPORTS WOULD GROW.

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6. PARA 29 PROMISES IMPROVED TESTING PROCEDURES FOR
IMPORTS OF AUTOS, PHARMACEUTICALS AND MARINE DIESEL
ENGINES, FROM WHICH U.S. SHOULD ALSO BENEFIT.

7. EC FEELS JAPANESE AID IN NEXT FIVE YEARS IS LIKELY

SUBSTANTIALLY TO EXCEED "DOUBLING" FIGURE CITED IN
JOINT STATEMENT.

8. RE AIRCRAFT AND TARIFF CUTS, SEE REF B.

9. DENMAN EXPRESSED CONSIDERABLE RELIEF AT OUTCOME OF
TALKS. USHIBA'S GROWING COMPREHENSION OF EC PROBLEMS
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AND ORGANIZATION SEEMS TO HAVE BEEN A MAJOR ACCOMPLISHMENT
IN EC EYES. THEY APPARENTLY WERE GENUINELY STUNG BY
USHIBA'S RATHER DEROGATORY COMMENTS ABOUT WEAKNESSES OF
EC ORGANIZATION MADE AT TOKYO HARVARD CLUB MEETING
SEVERAL WEEKS AGO. EC APPARENTLY WENT AWAY
BELIEVING THAT JOINT STATEMENT WILL PROVIDE SUFFICIENT
AMMUNITION TO HOLD OFF PROTECTIONIST PRESSURES FOR A
WHILE. MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE AGREEMENTS, COMMUNIQUE
Control Number: n/a
Copy: SINGLE
Draft Date: 28 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO05002
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780134-0152
Format: TEL
From: TOKYO EEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780316/aaaaanqg.tel
Line Count: 191
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a42dfebb-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 TOKYO 4835, 78 TOKYO 4809
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3177409
Secure: OPEN
Status: NATIVE
Subject: JAPAN-EC JOINT COMMUNIQUE--ANALYSIS
TAGS: ETRD, JA, EEC
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/a42dfebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014